

## Message Text

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PAGE 01 HONG K 03205 270648Z

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TO SECSTATE WASHDC 4340

INFO USLO PEKING

C O N F I D E N T I A L HONG KONG 3205

STADIS////////////////////////////////////

LIMDIS

EO 11652 GDS

TAGS ENRG, CH, US, HK

SUBJ: PROPOSED FLUOR REFINERY COMPLEX IN HONG KONG

REF STATE 60232 AND PREVIOUS

1. I HAVE HAD SEVERAL TALKS WITH HOOSE SINCE HIS ARRIVAL MARCH 19 AND STATE OF PLAY IS ROUGHLY AS FOLLOWS. HOOSE BRIEFED PRC OFFICIALS LED BY LI P'EI-CH'U OF CCPIT ON MARCH 20 AND 21. LI RETURNED TO PEKING WITH PROPOSALS ON MARCH 22 AND FLUOR HAS A TEAM READY TO GO INTO CHINA WITH ONE OF THE PROPOSED HONG KONG PARTNERS AROUND MID-APRIL IF CHINESE REPLY FAVORABLE.

2. FLUOR SEEMS TO BE TAKING PROJECT VERY SERIOUSLY. I SAW COPIES OF A LARGE, TWO-VOLUME PROPOSAL AND HOOSE TOLD ME THAT THEY HAD PREPARED A SPECIAL MODEL OF THE COMPLEX WHICH HE BROUGHT OUT WITH HIM. PROPOSAL WAS IN DETAIL ON TECHNICAL ASPECTS, FUEL NEEDS, SHARES HELD (CHINESE FRONT GROUP WOULD HOLD CONTROLLING INTEREST), INDEED ABOUT EVERYTHING EXCEPT FOR COSTS AND MEANS OF FINANCING ON CHINESE SIDE.

3. LI P'EI-CH'U INTRODUCED HOOSE TO SEVERAL PRC OFFICIALS IN HONG KONG, INCLUDING YANG KWANG, PRC LABOR LEADER WHO WAS A DELEGATE TO MPC; FEI I-MIN, THE EFFUSIVE AND CURRENTLY FRIENDLY EDITOR OF TA KUNG PAO; AND CH'EN HUNG, THE BANK OF

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CHINA SUB-MANAGER WHO DEALS MOST OFTEN WITH FOREIGNERS

ON EXCHANGE END FINANCIAL MATTERS. HOOSE HAS BEEN TOLD BUT HAS NOT MET HIM YET THAT THE PRC HAS CHOSEN AS THE LEADER OF THE FRONT MEN NONE OTHER THAN HO YIN, THEIR MAN IN MACAO. HE WILL BE SUPPORTED BY HUO YING-TUNG, ALSO KNOWN AS HENRY FOK. LATTER HAS BEEN HIGH IN PRC REGARD EVER SINCE HE ORGANIZED SMUGGLING OF SUPPLIES FOR PRC DURING KOREAN WAR. HE IS NOW MULTI-MILLIONAIRE OWNER OF A HALF-DOZEN PROFITABLE COMPANIES AND FIGURES PROMINENTLY IN PUBLICITY FOR MAJOR HONG KONG CHARITIES SUCH AS COMMUNITY CHEST. WHEN I POINTED OUT THAT HO YIN HAD BEEN INVOLVED IN VERY SIMILAR PROPOSAL WITH JAPANESE GROUP FOR MACAU, HOOSE SAID THAT "PRC CHINESE" HAD ASSURED HIM THE MACAU PROJECT WAS QUITE DEAD BECAUSE OF PORTUGAL'S "POLITICAL UNRELIABILITY."

4. HOOSE ASKED ME WHAT I THOUGHT HKG ATTITUDE WOULD BE TOWARDS CONSTRUCTION OF SUCH A LARGE PRC-CONTROLLED INSTALLATION IN HONG KONG. I SAID MY ASSESSMENT WAS THAT HKG WOULD NOT OBJECT AND WOULD PROBABLY EVEN LIKE SUCH A PROJECT, BUT WHEN THINGS ARE BETTER NAILED DOWN IT WOULD BE A GOOD IDEA FOR ME TO CHECK THIS OUT WITH THE GOVERNOR PERSONALLY.

5. HOOSE EMPHASIZED AGAIN THAT FLUOR AND OTHER COMPANIES IN THE CONDOMINIUM ARE PLAYING THIS VERY CLOSE TO THEIR CHESTS, IN WITNESS WHEREOF HE SHOWED ME LETTERS FROM PRESIDENT OF FLUOR TO OTHER FOUR PARTICIPANTS, ALL OF WHICH INDICATED THAT MATTER WAS DEALT WITH EXCLUSIVELY ON A CHAIRMAN OR PRESIDENT LEVEL.  
CROSS

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